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To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
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From: William T Fujioka
Chief Executive Officer

**WASHINGTON, D.C. UPDATE**

**Federal Fiscal Year 2008 Budget**

Prior to the start of Federal Fiscal Year (FFY) 2008 on October 1, 2007, Congress cleared, and the President signed, a Continuing Resolution (CR) to fund all government operations through November 16, 2007. At that time, Congressional leaders had planned to consider appropriations bills through the traditional legislative process.

It now seems doubtful if any appropriations bills will be enacted prior to November 16, 2007. The House has passed all 12 of its appropriations bills, while the Senate has passed seven bills: Defense; Homeland Security; Labor-Health and Human Services (HHS)-Education; Military Construction-Veterans Affairs (VA); State-Foreign Operations; Transportation-Housing and Urban Development; and Commerce-Justice-Science. The Senate has not yet acted on the five remaining bills (Agriculture; Energy and Water; Financial Services; Interior and Environment; and Legislative Branch), and Majority Leader Reid has given no indication that he plans to do so prior to the November 16, 2007 deadline. It is likely that enactment of another CR will be necessary. It is not known at this time how long this CR will last, but it could also incorporate short-term extensions of other expiring bills such as legislation to reauthorize the State Children's Health Insurance Program.

**FFY 2008 Labor-HHS-Education Appropriations Bill (H.R. 3043)/FFY 2008 Military Construction-Veterans Affairs Appropriation Bill (H.R. 2642)**

On November 1, 2007, the first House-Senate conference committee meeting on any of the FFY 2008 appropriations bills took place. At this meeting, House and Senate Conference Committee members approved the conference agreement for the FFY 2008 Labor-HHS-Education Appropriations bill (H.R. 3043), which increases funding by $6.2 billion over FFY 2007. The conference committee members also decided to attach a conference agreement on the FFY 2008 Military Construction-VA Appropriations bill (H.R. 2642) to the Labor-HHS-Education bill. The major unresolved issue in H.R. 2642 was a provision in the Senate version of the bill authored by Senator Feinstein to prohibit the exchange, auction, transfer, reduction, or disposal of Department of Veterans Affairs (VA) lands and the West Los Angeles Medical Center (WLAMC). The conferees voted 13 to 9 to include the Feinstein provision in the final version of the bill. It is expected that Congress will vote early next week to send a single bill containing the conference agreements on H.R. 3043 and H.R. 2642 to the President for signature. While the President has indicated that he would sign the FFY 2008 Military Construction-VA Appropriations bill, he has stated that he would veto the bill if the Labor-HHS-Education Appropriations bill is attached to it.

Sending a combined bill to the President would accomplish two objectives for the Democratic leadership. It would force the President to veto legislation that contains military spending during a time of war. It would also insulate the Labor-HHS-Education Appropriations bill from a veto, which is the largest of the appropriations bills and a priority for the leadership. This bill funds several important programs for the County, including Medicaid, social services, pandemic flu and bioterrorism prevention, HIV/AIDS treatment, nutrition programs for seniors, and worker training.

**Pursuit of County Position on Legislation**

**Energy Bill (H.R. 6/H.R. 3221)**: Earlier this year, both houses passed their respective versions of major energy legislation which differ significantly. The President has threatened to veto both versions -- H.R. 6, which passed the Senate on June 21, 2007, and H.R. 3221, which passed the House on August 4, 2007. In his veto threats, the White House cited its opposition to the House tax package, which finances $16.1 billion in energy-related tax incentives by reducing or eliminating certain tax benefits for oil and gas companies, and Senate language, which makes foreign oil producers subject to U.S. anti-trust laws, and which allows gasoline prices to be regulated to prevent price gouging.

The conference committee on the energy legislation has not been formed yet because of opposition from a number of Senate Republicans, who have blocked the appointment of Senate conferees. Nevertheless, a final energy bill is expected to be crafted, which will be brought to the floors of both houses for a vote by the end of the year. However, it is far from clear that such a bill would pass both houses and be signed into law. In addition to a potential Presidential veto, Congressional Democrats are divided on a number of major issues, such as Corporate Average Fuel Economy (CAFE) standards for motor vehicles. The Senate-passed Energy Bill includes a provision requiring a combined CAFE standard of at least 35 miles per gallon (mpg) for cars and light trucks by 2020. The current standard is 27.5 mpg for cars and 22.7 mpg for light trucks for 2007. The House version does not include any language affecting CAFE standards.

Both versions would establish a new energy efficiency block grant, which provides for direct formula grants to eligible units of local government, including counties. As seen in the attached comparison chart, in the House bill, block grant funds may be used for the development and implementation of an energy efficiency strategy, energy audits, energy efficiency retrofits, weatherization, public education, and other energy conservation programs. In the Senate bill, eligible activities would be determined by the Department of Energy (DOE). The House bill authorizes $2.0 billion a year in block grant funds for Federal Fiscal Years (FFYs) 2008 through 2012 while the Senate version authorizes such sums as may be necessary through FFY 2012. Funding for the block grant in both bills is subject to the availability of annual appropriations.

The House bill allocates 70 percent of total funding to eligible ("entitlement") local governments and the balance to states, which are responsible for serving non-entitlement areas. The Senate bill allocates 68 percent to local governments, 28 percent to states, and four percent to Indian tribes.

The County would receive significantly more funding under the House bill largely because far fewer cities and counties would qualify for direct funding. The greater the number of entitlement cities and counties, the lower the percentage of total funding that would be allocated to more populous cities and counties, including the County. In the House bill, an entitlement city must have at least 50,000 residents, and an entitlement county must have at least 200,000 residents.

In the Senate bill, far more cities and counties would qualify for direct funding because it has a lower population threshold of 35,000 for cities, and cities with fewer than 35,000 residents and counties with fewer than 200,000 residents qualify for direct funding if they are among the ten most populous cities and counties in their respective states. In the 2000 Census, there were 19 states which had fewer than ten cities with 35,000 or more residents, and the vast majority of states had fewer than ten counties with 200,000 or more residents. In fact, under the Senate bill, every county would qualify for direct funding in the five states because they do not have more than ten counties. Under the

House bill, 38 of the County's 88 cities would qualify for direct funding while 54 cities would qualify under the Senate version.

California also would receive significantly more funding under the House bill because the Senate bill has an extremely high minimum floor of 1.25 percent of total funding for each state, Puerto Rico, the District of Columbia, and U.S. territory. Only 30 percent of total funding would be available to allocate using other factors after this minimum floor requirement is met. The House version does not include any small state minimum requirement.

If authorized and funded, the new energy efficiency block grant would assist the County in implementing energy efficiency and environmental initiatives which reduce energy usage, integrate sustainable technologies in its capital projects, and implement a public outreach and education program relating to energy and water conservation consistent with the Countywide Energy and Environmental Policy adopted by your Board on January 16, 2007. It also would assist the County in developing and implementing policies and programs which would reduce greenhouse gas emissions, consistent with the "Cool Counties" Climate Stabilization Declaration adopted by your Board on October 23, 2007. Therefore, based on these Board policies, **our Washington, D.C. advocates will pursue the creation of an energy efficiency block grant in the Energy Bill or similar legislation.**

In addition, based on policies in the County's Federal Agenda to support proposals which provide for direct grants or mandatory pass-through allocations to large urban counties, provide a greater share of total Federal funding to the County or California, and provide local governments with greater decision-making authority over the use of Federal funds, **our Washington, D.C. advocates will support language which provides for the direct allocation of block grant funding to the County, which increases the County's and California's share of total funding, and which provides the County with greater flexibility over the use of funds**. Based on the policy supporting legislation to increase the CAFE standard to at least 35 miles per gallon (mpg) for cars and light trucks within 10 years, which is included in the Cool Counties Climate Stabilization Declaration adopted by your Board, **our Washington, D.C. advocates will support the provision in the Senate-passed Energy Bill or similar legislation, which would increase the CAFE standard to at least 35 mpg.**

**Legislation of County Interest: Internet Tax Moratorium Extension**

On October 30, 2007, the House approved the amended Senate version of H.R. 3678, the Internet Tax Freedom Act Amendments Act of 2007, by a vote of 402 to 0, clearing it for action by the President. The bill extends the current moratorium on state and local taxation of Internet access for seven years, through November 1, 2014. The previous House-passed version would have provided a four-year extension. H.R. 3678 clarifies the definition of Internet access to mean a service that enables users to connect to the Internet to access content, information, or other services offered over the Internet and services such as home page, electronic mail and instant messaging, and video clips, but excluding voice, audio, or video programming. The President is expected to sign the bill into law.

We will continue to keep you advised.

WTF:GK
MAL:MT:acn

Attachment

c: All Department Heads
Legislative Strategist

**Attachment**

# ENERGY EFFICIENCY BLOCK GRANT COMPARISON CHART

| | Senate Energy Bill (H.R. 6) | House Energy Bill (H.R. 3221) |
|---|---|---|
| Federal Administration | Amends the Housing and Community Development Act of 1974 but program is administered by Department of Energy. | Administered by the Department of Energy (DOE) |
| Eligible Units of Local Government (Entitlement Areas) | A). A city which has at least 35,000 residents or which is one of the 10 most populous cities in its state.<br>B). A county which has at least 200,000 residents or which is one of the 10 most populous counties in its state. | A). A city with at least 50,000 residents.<br>B). A county with at least 200,000 residents. |
| Eligible Activities | Will be determined by the DOE, in consultation with the Administrator of the Environmental Protection Agency, the Secretary of Transportation, and the Secretary of Housing and Urban Development. | Include, but are not limited to: developing and implementing an energy efficiency strategy; energy audits; energy efficiency retrofits; weatherization; building and home energy conservation programs; public education; building code and inspection services. |
| Percentage of Total Funding for Local Governments, States, and Indian Tribes | a). 68% to eligible local governments<br>b). 28% through States<br>c). 4% to Indian tribes | a). 70% to eligible local governments<br>b). 30% through States |
| Allocation Formula for Grants to Local Entitlement Areas | Not specified; to be established by DOE, taking into account residential and daytime population and other factors, as determined to be appropriate. | Prescribes an allocation formula, which gives equal weight to residential population, daytime population, or other factors, as determined by DOE. |
| Allocation Formula for Grants Through States | a). Allocates 1.25% of total funding to each state, and allocates remaining funds, based on a formula to be determined by DOE.<br>b). Requires states to use at least 40% of their allotments for eligible activities in non-entitlement areas. | a). Allocates funding to states using a population based formula.<br>b).Requires states to use at least 70% of their allotments for subgrants to units of local government that are not eligible for direct grants. |
| Funding for Preparation of Energy Efficiency Strategy | Not Applicable because the bill does not require the preparation of an energy efficiency strategy. | Until its energy efficiency strategy is approved, a local government receives $200,000 or 20% of the grant, whichever is greater, which may only be used for preparation of the strategy. |
| Limitations on Use of Funds | None | Includes caps of 10% of total funding or $75,000, whichever is greater, for administrative costs; 20% or $250,000, whichever is greater, for revolving loan funds; and 20% or $250,000, whichever is greater, for subgrants to nongovernmental agencies to help implement the energy efficiency strategy. |
| Annual Authorization Levels | Authorizes such sums as may be necessary in fiscal years 2008 through 2012. | Authorizes $2 billion a year for grants in fiscal years 2008 through 2012. |